

Message Text

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QUOTE

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AIDAC ROME FOR FODAG

E.O. 11652: N/A

TAGS: EAID, EFIN, EAGR

SUBJECT: IFAD FOURTH PREP COM MEETING
ROME JULY 11-15, 1977

SUMMARY
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PAGE 02 STATE 171713

1. AT ITS FOURTH MEETING IFAD'S PREP COM COMPLETED ALL
BASIC TASKS ASSIGNED TO IT BY IFAD PLENIPOTENTIARY MBEB
MEETING IN JUNE 1976. RESULTS ARE IN LINE WITH MAJOR U.S.
OBJECTIVES FOR IFAD. THE MAJOR ACCOMPLISHMENTS OF THE
FOURTH MEETING WERE PREP COM'S RECOMMENDATION FOR APPROVAL
BY THE IFAD GOVERNING COUNCIL OF:

(A) SPECIALIZED AGENCY AGREEMENT BETWEEN UN AND IFAD NEGOTIATED WITH ECOSOC COMMITTEE WHICH IS CONSISTENT WITH IFAD'S ARTICLES OF AGREEMENT AND IS IN ACCORDANCE WITH THE RELEVANT ARTICLES OF UN CHARTER PROVIDING FOR ESTABLISHMENT OF SPECIALIZED AGENCIES.

(B) RELATIONSHIP AGREEMENTS WITH COOPERATING INTERNATIONAL INSTITUTIONS WILL ALLOW IFAD TO MAKE MAXIMUM USE OF THESE INSTITUTIONS FOR PROJECT DEVELOPMENT, APPRAISAL AND IMPLEMENTATION ; IFAD WOULD PARTICIPATE SELECTIVELY IN DIFFERENT PHASES OF PROJECT CYCLE. SOME MINOR CHANGES RECOMMENDED BY PREP COM BUT WITHOUT INSISTENCE THAT COOPERATING INSTITUTIONS ACCEPT THEM.

(C) ADMINISTRATIVE BUDGET FOR CY 1978 WHICH RECOMMENDS IFAD'S BASIC ORGANIZATIONAL AND STAFF STRUCTURE FOR THE NEXT TWO YEARS. IT PROVIDES FOR A TOTAL OF UP TO 44 PROFESSIONAL POSITIONS (EXECUTIVE, TECHNICAL AND ADMINISTRATIVE) AND SIMPLE ORGANIZATIONAL STRUCTURE WHICH SHOULD PREVENT IFAD FROM EXPANDING INTO A LARGE COSTLY BUREAUCRACY.

(D) PERSONNEL SYSTEM WITH SALARIES AND BENEFITS BASICALLY IN LINE WITH UN COMMON SYSTEM.

RATIFICATION BY MEMBER GOVERNMENTS WHO HAVE PLEDGED \$750 MILLION, I.E. MINIMUM NEEDED FOR ENTRY INTO FORCE, IS EXPECTED BY THE END OF SEPTEMBER. HOWEVER, TO ALLOW MAXIMUM LIMITED OFFICIAL USE

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NUMBER OF COUNTRIES TO PARTICIPATE, FIRST GOVERNING COUNCIL MEETING WILL BE DELAYED UNTIL EARLY DECEMBER. ALL MEMBER GOVERNMENTS ARE STILL URGED TO DEPOSIT RATIFICATION INSTRUMENTS WITH U.N. ASAP. END SUMMARY.

2. DRAFT SPECIALIZED AGENCY'S AGREEMENT WITH U.N.

AFTER BRIEF DEBATE DRAFT AGREEMENT AS NEGOTIATED BETWEEN ECOSOC COMMITTEE ON NEGOTIATIONS WITH INTERGOVERNMENTAL AGENCIES AND PREP COM CHAIRMAN WAS APPROVED BY PREP COM AND TRANSMITTED TO ECOSOC NOW MEETING IN GENEVA WITH E8VI COVERING LETTER URGING ECOSOC APPROVAL WITHOUT CHANGES. SPECIALIZED AGENCY AGREEMENT WILL ENTER INTO FORCE UPON FURTHER APPROVAL BY U.N. GENERAL ASSEMBLY AND IFAD'S GOVERNING COUNCIL. THERE COULD BE A PROBLEM RE ECOSOC/U.N.G.A. APPROVAL IF ALGERIA/YUGOSLAVIA REOPEN ARTICLE XI OF THE DRAFT AGREEMENT TO INCLUDE REFERENCES TO UN CHARTER ARTICLES IX THRU XII AND THE DECLARATION ON GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES. MANY COUNTRIES INCLUDING THE U.S. STATED IN ECOSOC NEGOTIATING COMMITTEE THAT SUCH AMENDMENT WAS UNACCEPTABLE. ALTHOUGH THE YUGOSLAVS DID NOT MAKE THIS AN ISSUE IN ROME, THEY LEFT OPEN

THE POSSIBILITY THAT THEY WOULD RAISE THE ISSUE ELSEWHERE.
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WITH THE GOVERNMENT OF ITALY.

SUBJECT DOCUMENT WAS APPROVED BY PREP COM FOR SUBMISSION
TO GOVERNING COUNCIL WITH SOME MINOR CLARIFICATIONS TO BE
SOUGHT VIA EXCHANGE OF CORRESPONDENCE BETWEEN SECRETARIAT
AND GOI. NUMEROUS DELEGATIONS POINTED OUT THAT AGREEMENT
IS EXTREMELY FORTHCOMING RE PRIVILEGES AND IMMUNITIES
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CHARGE A BUILDING OF 5,000 SQUARE METERS, FURNITURE,

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AND ALL THE NECESSARY TRANSLATING AND TELECOMMUNICATION
EQUIPMENT.

4. DRAFT AGREEMENTS WITH COOPERATING INTER-
NATIONAL INSTITUTIONS.

DRAFT AGREEMENTS AS NEGOTIATED BY PREP COM CHAIRMAN AND
SUBMITTED TO PREP COM PLENARY WERE GENERALLY ACCEPTABLE
TO CATEGORY I COUNTRIES INCLUDING THE U.S. HOWEVER, IFAD'S
SECRETARIAT, WHICH HAS ALWAYS PUSHED FOR A MORE INDEPEN-
DENT IFAD, DRAFTED A SERIES OF "PRINCIPLES" TO SERVE AS A
BASIS FOR EXAMINING DRAFT COOPERATING AGENCY AGREEMENTS.
THESE PRINCIPLES CLEARLY AIMED AT GIVING IFAD A LARGER DE-
GREE OF AUTONOMY IN ITS OPERATIONAL FUNCTIONS. THE DRAFT
COOPERATING AGENCIES AGREEMENTS AND THE PRINCIPLES WERE
REFERRED TO A SMALL WORKING GROUP INCLUDING USDEL WHICH
ATTEMPTED TO KILL PRINCIPLES AS UNNECESSARY. IN THE END
THE GROUP AGREED ON REVISION ACCEPTABLE TO US WHICH SAFE-
GUARDS THE PRINCIPLE OF FULLY UTILIZING INTERNATIONAL
INSTITUTIONS WITH SELECTIVE PARTICIPATION BY IFAD IN THE
PROJECT CYCLE. A NUMBER OF AMENDMENTS TO DRAFT AGREEMENTS
WERE RECOMMENDED BY PREP COM WHICH CHAIRMAN SUDFARY WILL
COMMUNICATE TO THE RESPECTIVE INSTITUTIONS. THEN SUDEARY
IS TO SUBMIT DRAFT AGREEMENTS WITH ACCOMPANYING REPORT TO
FIRST SESSION OF IFAD'S EXECUTIVE BOARD REGARDING THE RE-
SULTS OF HIS FURTHER NEGOTIATIONS WITH THE COOPERATING
INSTITUTIONS. EXPECTATION IS THAT IFAD BOARD WILL ADOPT
AGREEMENTS IRRESPECTIVE OF WHETHER IFI'S ACCEPT AMENDMENTS
SINCE IFAD CANNOT START OPERATIONS WITHOUT THESE AGREE-
MENTS.

5. PROPOSED ADMINISTRATIVE BUDGET

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DEBATE ON ADMINISTRATIVE BUDGET INVOLVED KEY ISSUES ON IFAD'S ORGANIZATIONAL STRUCTURE AND STAFF LEVELS. AFTER INITIAL DISCUSSIONS IN PLENARY THIS ITEM ALSO REFERRED TO SMALLER WORKING GROUP CONSISTING OF HEADS OF KEY DELEGATIONS.

OVERALL BUDGET TOTAL FOR CY 1978 WAS REDUCED BY APPROXIMATELY \$1.2 MILLION. THE PRINCIPAL CUTS RESULTED FROM ELIMINATION OF PAYMENTS FOR SERVICES TO COOPERATING INSTITUTIONS FOR COFINANCED PROJECTS; FEWER MEETINGS OF IFAD'S EXECUTIVE BOARD; AND A SLOWER BUILD-UP OF ANTICIPATED STAFF WITH AN AVERAGE LAPSE RATE OF SIX MONTHS.

WITH REGARD TO TOTAL PROFESSIONAL STAFF AND ORGANIZATION STRUCTURE MAJOR CHANGES WERE MADE IN CONCEPTS/POSITIONS CONTAINED IN SECRETARIAT'S PAPER PREPARED FOR PREP COM MEETING. SECRETARIAT PAPER DESCRIBED 45 PROFESSIONALS FOR INITIAL BUDGET PERIOD AS QUOTE, PRELIMINARY ESTIMATES TO ENABLE FUND TO COMMENCE OPERATIONS AND TO BUILD A NUCLEUS STAFF . . . UNQUOTE.

ALTHOUGH WE WERE NOT SUCCESSFUL IN REDUCING OVERALL NUMBER OF PROFESSIONALS, FORCEFUL INTERVENTIONS BY USDEL RESULTED IN PREP COM ACCEPTING THE PRINCIPLE THAT UP TO 44 PROFESSIONALS IS NOT A NUCLEUS BUT AN ADEQUATE STAFF TO RUN IFAD, AT LEAST FOR THE FIRST TWO YEARS. USDEL EMPHASIZED THAT AGRICULTURAL AS WELL AS FINANCIAL EXPERTISE IS NEEDED.

THE ADMINISTRATIVE BUDGET DOCUMENT NOW STATES THAT UP TO 44 PROFESSIONALS CAN HANDLE THE EXPECTED WORK LOAD THROUGH CY 1979 WITH SOME SELECTIVE CHANGES. DURING THE COURSE OF 1978, THE PRESIDENT WOULD CAREFULLY REVIEW THESE ESTIMATES IN LIGHT OF ACTUAL EXPERIENCE AND PRESENT HIS RECOMMENDATIONS FOR SECOND FISCAL PERIOD TO THE EXECUTIVE BOARD AND GOVERNING COUNCIL.

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IN ADDITION, THE ORGANIZATIONAL STRUCTURE NOW SHOWS ONLY TWO MAIN FUNCTIONS: (A) OPERATIONS/POLICIES AND (B) ADMINISTRATION/FINANCE. THIS SHOULD HELP HOLD DOWN THE NUMBER OF EXECUTIVE SLOTS.

WITH REGARD TO REDUCING OVERALL GRADE STRUCTURE WE

HAD LIMITED SUCCESS. FOR EXAMPLE, WHILE IT WAS AGREED THAT PROJECT CONTROLLERS WOULD NOT BE EXECUTIVES, THE SECRETARIAT INSISTED AND RECEIVED LITTLE OBJECTION FROM OTHER PREP COM MEMBERS THAT IFAD AVERAGE GRADE LEVELS MUST BE HIGH TO ATTRACT BEST PEOPLE AND TO BE COMMENSURATE WITH MULTI-PURPOSE RESPONSIBILITIES OF IFAD'S LIMITED STAFF. THIS MEANS THAT SOME PROJECT CONTROLLERS COULD BE HIRED AT D1 SALARY LEVEL. FOR GOVERNING COUNCIL CONSIDERATION OF BUDGET E DOCUMENT MORE DETAILED STAFFING PATTERN INFORMATION AND THE SPECIFIC GRADE LEVELS FOR EACH POSITION IS TO BE PRESENTED.

6. PERSONNEL POLICIES - SALARIES AND BENEFITS.

AFTER EXTENSIVE DEBATE, THE PREP COM AGREED TO PROPOSE A PERSONNEL STRUCTURE CONFORMING IN LARGE MEASURE WITH THE UN COMMON SYSTEM. THE SALARY SCALE WILL BE BASED ON THAT OF THE UN BUT WILL COMBINE THE PROFESSIONAL AND GENERAL SERVICE SCALES INTO ONE SYSTEM WITH NEW GRADE INDICATORS. IT ALSO WAS AGREED THAT THE FUND SHOULD MAKE MAXIMUM USE OF FIXED TERM EMPLOYEES. THE EXECUTIVE BOARD THEREFORE IS LIKELY TO BE PRESENTED WITH A PROPOSAL TO IMPROVE BENEFITS FOR SHORT TERM EMPLOYEES. FINALLY, IT WAS

AGREED TO CONFORM THE IFAD'S PERSONNEL MANUAL WITH BASIC CONDITIONS ESTABLISHED BY THE UN COMMON SYSTEM.
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PAGE 07 STATE 171713

7. GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS.

IN VIEW OF TECHNICAL NATURE OF SUBJECT IT WAS AGREED THAT DRAFT DOCUMENT WOULD SIMPLY BE FORWARDED TO EXECUTIVE DIRECTORS WITH COMMENTS BY PREP COM PARTICIPANTS PLUS ANY SUBSEQUENT COMMENTS SUBMITTED BY GOVERNMENTS, AND WITH SECRETARIAT NOTES EXPLAINING DIFFERENCES BETWEEN IFAD CONDITIONS AND STANDARD IFI PROVISIONS.

8. OPERATIONAL GUIDELIN
BLXOR IFAD.

DISCUSSION IN PLENARY WAS VERY LIMITED. OPERATIONAL GUIDELINES ARE INTERNAL DOCUMENTS TO GUIDE STAFF IN CARRYING OUT VARIOUS OPERATIONAL ACTIVITIES. SECRETARIAT INDICATED THAT, IN FINALIZING GUIDELINES, ADMINISTRATIVE BUDGET AND FINAL VERSIONS OF AGREEMENTS WITH COOPERATING INSTITUTIONS WOULD GUIDE SECRETARIAT. DRAFT GUIDELINES WILL BE FORWARDED TO IFAD PRESIDENT (WHEN ELECTED) TOGETHER WITH PREP COM COMMENTS.

9. FINANCIAL REGULATIONS FOR IFAD.

NUMEROUS COMMENT WERE MADE DURING INITIAL
PLENARY DISCUSSION. IT WAS NOTED IN VARIOUS INTERVENTIONS
THAT REGULATIONS WERE INCOMPLETE (E.G. WITH RESPECT TO
DRAWDOWN OF CONTRIBUTIONS AND PRESIDENT'S AUTHORITY TO CON-
VERT CURRENCIES FOR INVESTMENT PURPOSES.) CRITICISM WAS
DIRECTED AT UNLIMITED AUTHORITY OF PRESIDENT TO TRANSFER
BUDGETED FUNDS AMONG BUDGET ITEMS. INFORMAL WORKING GROUP
(PARTICIPATED IN BY U.S.) WAS ESTABLISHED TO AMEND DRAFT
REGULATIONS WHICH WERE THEN APPROVED BY PREP COM. MAJOR
CHANGES INCLUDED: ELABORATION ON DRAWDOWN PROCEDURES;
REQUIREMENTS FOR EXECUTIVE BOARD APPROVAL OF TRANSFERS BE-
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PAGE 08 STATE 171713

TWEEN BUDGET CATEGORIES; ANNUAL PREPARATION OF MEDIUM-TERM
PER PROJECTIONS OF OPERATIONS; EMPHASIS ON SECURITY,
LIQUIDITY AND NONSPECULATION IN INVESTMENTS; AND ELABORA-
TION OF INTERNAL CONTROL AND EXTERNAL AUDIT PROVISIONS.
ONLY UNRESOLVED ISSUE WAS WHETHER GOVERNING COUNSEL OR EX-
ECUTIVE BOARD WOULD APPROVE SUPPLEMENTARY BUDGET REQUESTS.
IT WAS AGREED THAT GOVERNMENTS MIGHT SUBMIT WRITTEN COM-
MENTS AND THAT THE SECRETARIAT WOULD DEVELOP FURTHER
PAPERS ON INVESTMENT POLICIES.

10. ARRANGEMENTS FOR THE FIRST SESSION OF THE GOVERNING
COUNCIL AND OF THE EXECUTIVE BOARD.

.REP COM AGREED THAT THE FIRST SESSION OF THE GOVERNING
COUNCIL SHOULD BE HELD NOT LATER THAN EARLY DECEMBER 1977.
RELATIVELY LATE DATE RESULTED NOT FROM PESSIMISM REGARDING
THE TIME NEEDED FOR SUFFICIENT RATIFICATIONS FOR ENTRY INTO
FORCE, WHICH CHAIRMAN PROJECTS AS END OF SEPTEMBER, BUT
RATHER CONSENSUS THAT SOME DELAY WAS WARRANTED TO PERMIT
ADDITIONAL STATES TO PARTICIPATE IN THE FIRST GOVERNING
COUNCIL SESSION.

A MATTER OF POSSIBLE CONCERN IS AGENDA ITEM 14(A) OF FIRST
GOVERNING COUNCIL SESSION, PERMANENT SEAT OF IFAD. IT
READS QUOTE, THIS ITEM IS INCLUDED TO INFORM THE GOVERNING
COUNCIL OF THE STATES THAT HAVE INVITED IFAD TO ESTAB-
LISH ITS PERMANENT SEAT AND TO ENABLE THE COUNCIL TO DIS-
CUSS ANY RELATED MATTERS IT MAY WISH TO CONSIDER UNQUOTE.
IRANIAN REP (MANSURI) INFORMED MEMBER OF USDEL
THAT BY AGREEING NOT TO PRESS PERMANENT SEAT ISSUE IRAN
HAD MEANT IT WOULD NOT WITHHOLD ITS RATIFICATION OVER THIS
ISSUE. IN PLENARY MANSURI ANNOUNCED THAT IRANIAN GOVERN-
MENT IS TAKING NECESSARY ACTIONS AND WOULD RATIFY VERY
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PAGE 09 STATE 171713

SOON. HOWEVER WHAT IS STILL UNCLEAR IS EXACTLY HOW THE ISSUE OF PERMANENT HEADQUARTERS WILL BE DEAL WITH AT THE FIRST SESSION OF THE GOVERNING COUNCIL, AND IF U.S. POSITION IN FAVOR OF DEFERRING ANY ACTION ON THIS ISSUE WILL PREVAIL.

11. COMMENTS ON FOURTH PREP COM

FOURTH PREP COM RESULTED IN CONSIDERABLE DEGREE OF SUCCESS FOR THE U.S. IN CLARIFYING SOME KEY ISSUES CONCERNING IFAD'S FUTURE OPERATIONS AND ORGANIZATION.

FIRST, PREP COM ESTABLISHED WITH REGARD TO THE COOPERATING AGENCY AGREEMENTS THAT IFAD WILL NOT NECESSARILY PARTICIPATE IN ALL PHASES OF PROJECT CYCLE, BUT WILL RELY INSTEAD UPON INTERNATIONAL INSTITUTIONS FOR PROJECT IDENTIFICATION, PREPARATION, APPRAISAL ADMINISTRATION, ETC. WITH SELECTIVE PARTICIPATION BY IFAD STAFF. THIS EMPHASIS ON FULL USE OF THE IFI'S IS ESSENTIAL FOR HOLDING DOWN THE SIZE AND COST OF IFAD'S OPERATIONS CONSISTENT WITH THE CONCEPT OF IFAD SINCE ITS BEGINNING.

SECOND, ORIGINAL SECRETARIAT PAPERS ON ADMINISTRATIVE BUDGET AND PERSONNEL POLICIES, I.E. SALARY SCALES AND BENEFITS, HAD LAID THE GROUNDWORK FOR THE POSSIBILITY OF RAPIDLY EXPANDING ORGANIZATION AND HIGH COST SALARY SCALES. HOWEVER, U.S. SUCCEEDED IN PLACING A CAP ON NUMBER OF PROFESSIONALS THROUGH CY 1979 WITH BURDEN OF PROOF FOR ADDITIONAL STAFF RESTING ON PRESIDENT'S JUSTIFICATIONS TO EXECUTIVE DIRECTORS. IN ADDITION IFAD'S SALARY SCALES WILL BE IDENTICAL TO UN SALARIES RATHER THAN AT THE WORLD BANK LEVELS.

WE DID NOT ACHIEVE GREATER SUCCESS, FOR EXAMPLE IN REDUCING PROPORTIONS OF IFAD OFFICIALS AT HIGH EXECUTIVE SALARY LEVELS FOR THE FOLLOWING REASONS: (A) SECRETARIAT'S LACK LIMITED OFFICIAL USE

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PAGE 10 STATE 171713

OF OBJECTIVITY WAS MANIFEST IN PREPARATION OF ADMINISTRATIVE BUDGET, PERSONNEL POLICIES, PRINCIPLES FOR COOPERATING AGENCY AGREEMENTS. THE SECRETARIAT HAD ALSO CONVINCED CHAIRMAN AL-SUDEARY (PRESUMABLY THE FIRST PRESIDENT) THAT THEIR POSITIONS WERE ESSENTIAL IF IFAD IS TO OPERATE AS A FIRST CLASS INSTITUTION. THIS WAS REFLECTED IN SUDEARY'S TENACIOUS DEFENSE OF PROPOSED ADMIN-

ISTRATIVE BUDGET AND STAFFING STRUCTURE. THE IFAD EXPERIENCE DEMONSTRATES IMPORTANCE OF HAVING OFFICIALS SYMPATHETIC TO U.S. VIEWS AS MEMBERS OF SUCH SECRETARIATS IN THE FUTURE. (B) CATEGORY I - OECD COUNTRIES PERFORMANCE IN PLENARY LACKED SUSTAINED EFFORT. ALTHOUGH THERE WAS EXCELLENT COORDINATION AND CONSENSUS ON KEY ISSUES IN CATEGORY I CAUCUS, ONCE IN THE PLENARY AFTER GOOD INITIAL CATEGORY I STATEMENTS, THERE WAS NO FOLLOW-THROUGH, AND U.S. WAS OFTEN LEFT TO CARRY THE ARGUMENT. FOR EXAMPLE, ON THE ADMINISTRATIVE BUDGET AND PERSONNEL POLICIES, ONLY U.K., JAPAN AND THE NETHERLANDS VENTURED SECOND INTERVENTIONS. (C) RE CATEGORY II OPEC COUNTRIES, SHIHATA, DIRECTOR OF OPEC SPECIAL FUND, PROVIDED THE LEADERSHIP AS USUAL BUT HE WAS ABSOLUTELY OF NO HELP TO OUR VIEWS. SHIHATA SAID IN EFFECT WE SHOULD NOT QUESTION THE PROPOSED ORGANIZATIONAL STRUCTURE, STAFF LEVELS AND GRADES BUT RATHER PROVIDE PRESIDENT WITH MAXIMUM FLEXIBILITY ON THE BASIS THAT HE WILL BY DEFINITION DO A GOOD JOB AT THE LEAST COST. SHIHATA ALSO ARGUED THAT IT MADE GOOD SENSE TO "EXEMPT" IFAD FROM UN COMMON SYSTEM. (D) CATEGORY III COUNTRIES' POSITIONS WERE LARGELY DOMINATED BY INDIA AND BANGLADESH DELEGATIONS WHO ARGUED FOR GREATER AUTONOMY FOR IFAD, LARGER STAFF AND RELIEF FROM THE STRICTURES OF UN COMMON PERSONNEL SYSTEM.

13. ACTION

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AT CONVENIENT OPPORTUNITY, EMBASSY OFFICIALS SHOULD INDICATE TO HOST COUNTRY OFFICIALS CONCERNED WITH IFAD THE FOLLOWING POINTS:

A. WE BELIEVE THAT MOST ISSUES AT THE 4TH PREP COM

WERE DECIDED IN A MANNER CONSISTENT WITH CATEGORY I COUNTRIES' CONCEPTION OF IFAD. IT SHOULD BE AN EFFICIENT AND EFFECTIVE INSTITUTION FOR IMPROVING FOOD PRODUCTION AND NBR NUTRITION IN POOR COUNTRIES BY FULLY UTILIZING THE SERVICES OF OTHER INTERNATIONAL INSTITUTIONS SO AS TO REDUCE IFAD'S OPERATING COSTS AND AVOID BUILDING A LARGE BUREAUCRACY.

B. AT THE END OF THE FOURTH PREP COM MEETING THE SECRETARIAT WAS LEFT WITH RESPONSIBILITY TO CONFORM MANY OF THE KEY DOCUMENTS, E.G. PERSONNEL POLICIES MANUAL, ADMINISTRATIVE BUDGET AND STAFFING TABLES, OPERATIONAL GUIDELINES, FINANCIAL REGULATIONS WITH THE CONSENSUS REACHED AT THE MEETING. IT IS VITALLY IMPORTANT THAT WE PRESS THE SECRETARIAT TO PRODUCE AND DISTRIBUTE THESE DOCUMENTS AS

SOON AS POSSIBLE SO THAT WE ALL CAN CAREFULLY EXAMINE
THEM WELL IN ADVANCE OF THE FIRST GOVERNING COUNCIL AND AS-
CERTAIN THAT THEY ARE CONSISTENT WITH IFAD'S OBJECTIVES AS
STATED IN ARTICLES OF AGREEMENT AND THE
POSITIONS SATISFACTORILY NEGOTIATED AT PREP COM MEETINGS.
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5. PROPOSED ADMINISTRATIVE BUDGET

DEBATE ON ADMINISTRATIVE BUDGET INVOLVED KEY ISSUES ON LIMITED OFFICIAL USE

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PAGE 05 STATE 171713

IFAD'S ORGANIZATIONAL STRUCTURE AND STAFF LEVELS. AFTER INITIAL DISCUSSIONS IN PLENARY THIS ITEM ALSO REFERRED TO SMALLER WORKING GROUP CONSISTING OF HEADS OF KEY DELEGATIONS.

OVERALL BUDGET TOTAL FOR CY 1978 WAS REDUCED BY APPROXIMATELY \$1.2 MILLION. THE PRINCIPAL CUTS RESULTED FROM ELIMINATION OF PAYMENTS FOR SERVICES TO COOPERATING INSTITUTIONS FOR COFINANCED PROJECTS; FEWER MEETINGS OF IFAD'S EXECUTIVE BOARD; AND A SLOWER BUILD-UP OF ANTICIPATED STAFF WITH AN AVERAGE LAPSE RATE OF SIX MONTHS.

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ALTHOUGH WE WERE NOT SUCCESSFUL IN REDUCING OVERALL NUMBER OF PROFESSIONALS, FORCEFUL INTERVENTIONS BY USDEL RESULTED IN PREP COM ACCEPTING THE PRINCIPLE THAT UP TO 44 PROFESSIONALS IS NOT A NUCLEUS BUT AN ADEQUATE STAFF TO RUN IFAD, AT LEAST FOR THE FIRST TWO YEARS. USDEL EMPHASIZED THAT AGRICULTURAL AS WELL AS FINANCIAL EXPERTISE IS NEEDED.

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WITH REGARD TO REDUCING OVERALL GRADE STRUCTURE WE HAD LIMITED SUCCESS. FOR EXAMPLE, WHILE IT WAS AGREED THAT PROJECT CONTROLLERS WOULD NOT BE EXECUTIVES, THE SECRETARIAT INSISTED AND RECEIVED LITTLE OBJECTION FROM OTHER PREP COM MEMBERS THAT IFAD AVERAGE GRADE LEVELS MUST BE HIGH TO ATTRACT BEST PEOPLE AND TO BE COMMENSURATE WITH MULTI-PURPOSE RESPONSIBILITIES OF IFAD'S LIMITED STAFF. THIS MEANS THAT SOME PROJECT CONTROLLERS COULD BE HIRED AT D1 SALARY LEVEL. FOR GOVERNING COUNCIL CONSIDERATION OF BUDGET E DOCUMENT MORE DETAILED STAFFING PATTERN INFORMATION AND THE SPECIFIC GRADE LEVELS FOR EACH POSITION IS TO BE PRESENTED.

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AFTER EXTENSIVE DEBATE, THE PREP COM AGREED TO PROPOSE A PERSONNEL STRUCTURE CONFORMING IN LARGE MEASURE WITH THE UN COMMON SYSTEM. THE SALARY SCALE WILL BE BASED ON THAT OF THE UN BUT WILL COMBINE THE PROFESSIONAL AND GENERAL SERVICE SCALES INTO ONE SYSTEM WITH NEW GRADE INDICATORS. IT ALSO WAS AGREED THAT THE FUND SHOULD MAKE MAXIMUM USE OF FIXED TERM EMPLOYEES. THE EXECUTIVE BOARD THEREFORE IS LIKELY TO BE PRESENTED WITH A PROPOSAL TO IMPROVE BENEFITS FOR SHORT TERM EMPLOYEES. FINALLY, IT WAS

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7. GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS.

IN VIEW OF TECHNICAL NATURE OF SUBJECT IT WAS AGREED THAT DRAFT DOCUMENT WOULD SIMPLY BE FORWARDED TO EXECUTIVE DIRECTORS WITH COMMENTS BY PREP COM PARTICIPANTS PLUS ANY SUB-

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NUMEROUS COMMENTS WERE MADE DURING INITIAL PLENARY DISCUSSION. IT WAS NOTED IN VARIOUS INTERVENTIONS THAT REGULATIONS WERE INCOMPLETE (E.G. WITH RESPECT TO DRAWDOWN OF CONTRIBUTIONS AND PRESIDENT'S AUTHORITY TO CONVERT CURRENCIES FOR INVESTMENT PURPOSES.) CRITICISM WAS DIRECTED AT UNLIMITED AUTHORITY OF PRESIDENT TO TRANSFER BUDGETED FUNDS AMONG BUDGET ITEMS. INFORMAL WORKING GROUP (PARTICIPATED IN BY U.S.) WAS ESTABLISHED TO AMEND DRAFT REGULATIONS WHICH WERE THEN APPROVED BY PREP COM. MAJOR CHANGES INCLUDED: ELABORATION ON DRAWDOWN PROCEDURES; REQUIREMENTS FOR EXECUTIVE BOARD APPROVAL OF TRANSFERS BETWEEN BUDGET CATEGORIES; ANNUAL PREPARATION OF MEDIUM-TERM LIMITED OFFICIAL USE

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PAGE 08 STATE 171713

PER PROJECTIONS OF OPERATIONS; EMPHASIS ON SECURITY, LIQUIDITY AND NONSPECULATION IN INVESTMENTS; AND ELABORATION OF INTERNAL CONTROL AND EXTERNAL AUDIT PROVISIONS. ONLY UNRESOLVED ISSUE WAS WHETHER GOVERNING COUNSEL OR EXECUTIVE BOARD WOULD APPROVE SUPPLEMENTARY BUDGET REQUESTS. IT WAS AGREED THAT GOVERNMENTS MIGHT SUBMIT WRITTEN COMMENTS AND THAT THE SECRETARIAT WOULD DEVELOP FURTHER PAPERS ON INVESTMENT POLICIES.

10. ARRANGEMENTS FOR THE FIRST SESSION OF THE GOVERNING COUNCIL AND OF THE EXECUTIVE BOARD.

PREP COM AGREED THAT THE FIRST SESSION OF THE GOVERNING COUNCIL SHOULD BE HELD NOT LATER THAN EARLY DECEMBER 1977. RELATIVELY LATE DATE RESULTED NOT FROM PESSIMISM REGARDING THE TIME NEEDED FOR SUFFICIENT RATIFICATIONS FOR ENTRY INTO FORCE, WHICH CHAIRMAN PROJECTS AS END OF SEPTEMBER, BUT RATHER CONSENSUS THAT SOME DELAY WAS WARRANTED TO PERMIT

ADDITIONAL STATES TO PARTICIPATE IN THE FIRST GOVERNING COUNCIL SESSION.

A MATTER OF POSSIBLE CONCERN IS AGENDA ITEM 14(A) OF FIRST GOVERNING COUNCIL SESSION, PERMANENT SEAT OF IFAD. IT READS QUOTE, THIS ITEM IS INCLUDED TO INFORM THE GOVERNING COUNCIL OF THE STATES THAT HAVE INVITED IFAD TO ESTABLISH ITS PERMANENT SEAT AND TO ENABLE THE COUNCIL TO DISCUSS ANY RELATED MATTERS IT MAY WISH TO CONSIDER UNQUOTE. IRANIAN REP (MANSURI) INFORMED MEMBER OF USDEL THAT BY AGREEING NOT TO PRESS PERMANENT SEAT ISSUE IRAN HAD MEANT IT WOULD NOT WITHHOLD ITS RATIFICATION OVER THIS ISSUE. IN PLENARY MANSURI ANNOUNCED THAT IRANIAN GOVERNMENT IS TAKING NECESSARY ACTIONS AND WOULD RATIFY VERY SOON. HOWEVER WHAT IS STILL UNCLEAR IS EXACTLY HOW THE LIMITED OFFICIAL USE

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PAGE 09 STATE 171713

ISSUE OF PERMANENT HEADQUARTERS WILL BE DEAL WITH AT THE FIRST SESSION OF THE GOVERNING COUNCIL, AND IF U.S. POSITION IN FAVOR OF DEFERRING ANY ACTION ON THIS ISSUE WILL PREVAIL.

11. COMMENTS ON FOURTH PREP COM

FOURTH PREP COM RESULTED IN CONSIDERABLE DEGREE OF SUCCESS FOR THE U.S. IN CLARIFYING SOME KEY ISSUES CONCERNING IFAD'S FUTURE OPERATIONS AND ORGANIZATION.

FIRST, PREP COM ESTABLISHED WITH REGARD TO THE COOPERATING AGENCY AGREEMENTS THAT IFAD WILL NOT NECESSARILY PARTICIPATE IN ALL PHASES OF PROJECT CYCLE, BUT WILL RELY INSTEAD UPON INTERNATIONAL INSTITUTIONS FOR PROJECT IDENTIFICATION, PREPARATION, APPRAISAL ADMINISTRATION, ETC. WITH SELECTIVE PARTICIPATION BY IFAD STAFF. THIS EMPHASIS ON FULL USE OF THE IFI'S IS ESSENTIAL FOR HOLDING DOWN THE SIZE AND COST OF IFAD'S OPERATIONS CONSISTENT WITH THE CONCEPT OF IFAD SINCE ITS BEGINNING.

SECOND, ORIGINAL SECRETARIAT PAPERS ON ADMINISTRATIVE BUDGET AND PERSONNEL POLICIES, I.E. SALARY SCALES AND BENEFITS, HAD LAID THE GROUNDWORK FOR THE POSSIBILITY OF RAPIDLY EXPANDING ORGANIZATION AND HIGH COST SALARY SCALES. HOWEVER, U.S. SUCCEEDED IN PLACING A CAP ON NUMBER OF PROFESSIONALS THROUGH CY 1979 WITH BURDEN OF PROOF FOR ADDITIONAL STAFF RESTING ON PRESIDENT'S JUSTIFICATIONS TO EXECUTIVE DIRECTORS. IN ADDITION IFAD'S SALARY SCALES WILL BE IDENTICAL TO UN SALARIES RATHER THAN AT THE WORLD BANK LEVELS.

WE DID NOT ACHIEVE GREATER SUCCESS, FOR EXAMPLE IN REDU-

ING PROPORTIONS OF IFAD OFFICIALS AT HIGH EXECUTIVE SALARY LEVELS FOR THE FOLLOWING REASONS: (A) SECRETARIAT'S LACK OF OBJECTIVITY WAS MANIFEST IN PREPARATION OF ADMINISTRATIVE BUDGET AND STAFFING STRUCTURE. THE IFAD EXPERIENCE DEMONSTRATES IMPORTANCE OF HAVING OFFICIALS SYMPATHETIC TO U.S. VIEWS AS MEMBERS OF SUCH SECRETARIATS IN THE FUTURE. (B) CATEGORY I - OECD COUNTRIES PERFORMANCE IN PLENARY LACKED SUSTAINED EFFORT. ALTHOUGH THERE WAS EXCELLENT COORDINATION AND CONSENSUS ON KEY ISSUES IN CATEGORY I CAUCUS, ONCE IN THE PLENARY AFTER GOOD INITIAL CATEGORY I STATEMENTS, THERE WAS NO FOLLOW-THROUGH, AND U.S. WAS OFTEN LEFT TO CARRY THE ARGUMENT. FOR EXAMPLE, ON THE ADMINISTRATIVE BUDGET AND PERSONNEL POLICIES, ONLY U.K., JAPAN AND THE NETHERLANDS VENTURED SECOND INTERVENTIONS. (C) RE CATEGORY II OPEC COUNTRIES, SHIHATA, DIRECTOR OF OPEC SPECIAL FUND, PROVIDED THE LEADERSHIP AS USUAL BUT HE WAS ABSOLUTELY OF NO HELP TO OUR VIEWS. SHIHATA SAID IN EFFECT WE SHOULD NOT QUESTION THE PROPOSED ORGANIZATIONAL STRUCTURE, STAFF LEVELS AND GRADES BUT RATHER PROVIDE PRESIDENT WITH MAXIMUM FLEXIBILITY ON THE BASIS THAT HE WILL BY DEFINITION DO A GOOD JOB AT THE LEAST COST. SHIHATA ALSO ARGUED THAT IT MADE GOOD SENSE TO "EXEMPT" IFAD FROM UN COMMON SYSTEM. (D) CATEGORY III COUNTRIES' POSITIONS WERE LARGELY DOMINATED BY INDIA AND BANGLADESH DELEGATIONS WHO ARGUED FOR GREATER AUTONOMY FOR IFAD, LARGER STAFF AND RELIEF FROM THE STRICTURES OF UN COMMON PERSONNEL SYSTEM.

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PAGE 10 STATE 171713

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13. ACTION

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PAGE 11 STATE 171713

AT CONVENIENT OPPORTUNITY, EMBASSY OFFICIALS SHOULD INDICATE TO HOST COUNTRY OFFICIALS CONCERNED WITH IFAD THE FOLLOWING POINTS:

A. WE BELIEVE THAT MOST ISSUES AT THE 4TH PREP COM

WERE DECIDED IN A MANNER CONSISTENT WITH CATEGORY I COUNTRIES' CONCEPTION OF IFAD. IT SHOULD BE AN EFFICIENT AND EFFECTIVE INSTITUTION FOR IMPROVING FOOD PRODUCTION AND NBR NUTRITION IN POOR COUNTRIES BY FULLY UTILIZING THE SERVICES OF OTHER INTERNATIONAL INSTITUTIONS SO AS TO REDUCE IFAD'S OPERATING COSTS AND AVOID BUILDING A LARGE BUREAUCRACY.

B. AT THE END OF THE FOURTH PREP COM MEETING THE SECRETARIAT WAS LEFT WITH RESPONSIBILITY TO CONFORM MANY OF THE KEY DOCUMENTS, E.G. PERSONNEL POLICIES MANUAL, ADMINISTRATIVE BUDGET AND STAFFING TABLES, OPERATIONAL GUIDELINES, FINANCIAL REGULATIONS WITH THE CONSENSUS REACHED AT THE MEETING. IT IS VITALLY IMPORTANT THAT WE PRESS THE SECRETARIAT TO PRODUCE AND DISTRIBUTE THESE DOCUMENTS AS SOON AS POSSIBLE SO THAT WE ALL CAN CAREFULLY EXAMINE THEM WELL IN ADVANCE OF THE FIRST GOVERNING COUNCIL AND ASCERTAIN THAT THEY ARE CONSISTENT WITH IFAD'S OBJECTIVES AS STATED IN ARTICLES OF AGREEMENT AND THE POSITIONS SATISFACTORILY NEGOTIATED AT PREP COM MEETINGS.
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BRUSSELS PARIS HELSINKI DUBLIN LUXEMBOURG OSLO BERN GENEVA MADRID
AUCKLAND USUN NEW YORK LONDON ROME 22 JUL 77

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PAGE 02 STATE 171713

SUBJECT: IFAD FOURTH PREP COM MEETING

ROME JULY 11-15, 1977

SUMMARY

1. AT ITS FOURTH MEETING IFAD'S PREP COM COMPLETED ALL BASIC TASKS ASSIGNED TO IT BY IFAD PLENIPOTENTIARY MBEB MEETING IN JUNE 1976. RESULTS ARE IN LINE WITH MAJOR U.S. OBJECTIVES FOR IFAD. THE MAJOR ACCOMPLISHMENTS OF THE FOURTH MEETING WERE PREP COM'S RECOMMENDATION FOR APPROVAL BY THE IFAD GOVERNING COUNCIL OF:

(A) SPECIALIZED AGENCY AGREEMENT BETWEEN UN AND IFAD NEGOTIATED WITH ECOSOC COMMITTEE WHICH IS CONSISTENT WITH IFAD'S ARTICLES OF AGREEMENT AND IS IN ACCORDANCE WITH THE RELEVANT ARTICLES OF UN CHARTER PROVIDING FOR ESTABLISHMENT OF SPECIALIZED AGENCIES.

(B) RELATIONSHIP AGREEMENTS WITH COOPERATING INTERNATIONAL INSTITUTIONS WILL ALLOW IFAD TO MAKE MAXIMUM USE OF THESE INSTITUTIONS FOR PROJECT DEVELOPMENT, APPRAISAL AND IMPLEMENTATION ; IFAD WOULD PARTICIPATE SELECTIVELY IN DIFFERENT PHASES OF PROJECT CYCLE. SOME MINOR CHANGES RECOMMENDED BY PREP COM BUT WITHOUT INSISTENCE THAT COOPERATING INSTITUTIONS ACCEPT THEM.

(C) ADMINISTRATIVE BUDGET FOR CY 1978 WHICH RECOMMENDS IFAD'S BASIC ORGANIZATIONAL AND STAFF STRUCTURE FOR THE NEXT TWO YEARS. IT PROVIDES FOR A TOTAL OF UP TO 44 PROFESSIONAL POSITIONS (EXECUTIVE, TECHNICAL AND ADMINISTRA-

TIVE) AND SIMPLE ORGANIZATIONAL STRUCTURE WHICH SHOULD PREVENT IFAD FROM EXPANDING INTO A LARGE COSTLY BUREAUCRACY.

(D) PERSONNEL SYSTEM WITH SALARIES AND BENEFITS BASIC-LIMITED OFFICIAL USE

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PAGE 03 STATE 171713

ALLY IN LINE WITH UN COMMON SYSTEM.

RATIFICATION BY MEMBER GOVERNMENTS WHO HAVE PLEDGED \$750 MILLION, I.E. MINIMUM NEEDED FOR ENTRY INTO FORCE, IS EXPECTED BY THE END OF SEPTEMBER. HOWEVER, TO ALLOW MAXIMUM NUMBER OF COUNTRIES TO PARTICIPATE, FIRST GOVERNING COUNCIL MEETING WILL BE DELAYED UNTIL EARLY DECEMBER. ALL MEMBER GOVERNMENTS ARE STILL URGED TO DEPOSIT RATIFICATION INSTRUMENTS WITH U.N. ASAP. END SUMMARY.

2. DRAFT SPECIALIZED AGENCY'S AGREEMENT WITH U.N.

AFTER BRIEF DEBATE DRAFT AGREEMENT AS NEGOTIATED BETWEEN ECOSOC COMMITTEE ON NEGOTIATIONS WITH INTERGOVERNMENTAL AGENCIES AND PREP COM CHAIRMAN WAS APPROVED BY PREP COM AND TRANSMITTED TO ECOSOC NOW MEETING IN GENEVA WITH E8VI COVERING LETTER URGING ECOSOC APPROVAL WITHOUT CHANGES. SPECIALIZED AGENCY AGREEMENT WILL ENTER INTO FORCE UPON FURTHER APPROVAL BY U.N. GENERAL ASSEMBLY AND IFAD'S GOVERNING COUNCIL. THERE COULD BE A PROBLEM RE ECOSOC/U.N.G.A. APPROVAL IF ALGERIA/YUGOSLAVIA REOPEN ARTICLE XI OF THE DRAFT AGREEMENT TO INCLUDE REFERENCES TO UN CHARTER ARTICLES IX THRU XII AND THE DECLARATION ON GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES. MANY COUNTRIES INCLUDING THE U.S. STATED IN ECOSOC NEGOTIATING COMMITTEE THAT SUCH AMENDMENT WAS UNACCEPTABLE. ALTHOUGH THE YUGOSLAVS DID NOT MAKE THIS AN ISSUE IN ROME, THEY LEFT OPEN THE POSSIBILITY THAT THEY WOULD RAISE THE ISSUE ELSEWHERE. THE ROME/AFRICAN GROUP APPROVED THE AGREEMENT UNANIMOUSLY.

3. DRAFT AGREEMENT FOR PROVISIONAL IFAD HEADQUARTERS WITH THE GOVERNMENT OF ITALY.

SUBJECT DOCUMENT WAS APPROVED BY PREP COM FOR SUBMISSION TO GOVERNING COUNCIL WITH SOME MINOR CLARIFICATIONS TO BE SOUGHT VIA EXCHANGE OF CORRESPONDENCE BETWEEN SECRETARIAT

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PAGE 04 STATE 171713

AND GOI. NUMEROUS DELEGATIONS POINTED OUT THAT AGREEMENT IS EXTREMELY FORTHCOMING RE PRIVILEGES AND IMMUNITIES

AFFORDED IFAD. GOI HAS ALSO AGREED TO PROVIDE FREE OF CHARGE A BUILDING OF 5,000 SQUARE METERS, FURNITURE,

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PAGE 08 STATE 171713

BUDGETED FUNDS AMONG BUDGET ITEMS. INFORMAL WORKING GROUP (PARTICIPATED IN BY U.S.) WAS ESTABLISHED TO AMEND DRAFT

REGULATIONS WHICH WERE THEN APPROVED BY PREP COM. MAJOR CHANGES INCLUDED: ELABORATION ON DRAWDOWN PROCEDURES; REQUIREMENTS FOR EXECUTIVE BOARD APPROVAL OF TRANSFERS BETWEEN BUDGET CATEGORIES; ANNUAL PREPARATION OF MEDIUM-TERM PER PROJECTIONS OF OPERATIONS; EMPHASIS ON SECURITY, LIQUIDITY AND NONSPECULATION IN INVESTMENTS; AND ELABORATION OF INTERNAL CONTROL AND EXTERNAL AUDIT PROVISIONS. ONLY UNRESOLVED ISSUE WAS WHETHER GOVERNING COUNSEL OR EXECUTIVE BOARD WOULD APPROVE SUPPLEMENTARY BUDGET REQUESTS. IT WAS AGREED THAT GOVERNMENTS MIGHT SUBMIT WRITTEN COMMENTS AND THAT THE SECRETARIAT WOULD DEVELOP FURTHER PAPERS ON INVESTMENT POLICIES.

10. ARRANGEMENTS FOR THE FIRST SESSION OF THE GOVERNING COUNCIL AND OF THE EXECUTIVE BOARD.

REP COM AGREED THAT THE FIRST SESSION OF THE GOVERNING COUNCIL SHOULD BE HELD NOT LATER THAN EARLY DECEMBER 1977. RELATIVELY LATE DATE RESULTED NOT FROM PESSIMISM REGARDING THE TIME NEEDED FOR SUFFICIENT RATIFICATIONS FOR ENTRY INTO FORCE, WHICH CHAIRMAN PROJECTS AS END OF SEPTEMBER, BUT RATHER CONSENSUS THAT SOME DELAY WAS WARRANTED TO PERMIT ADDITIONAL STATES TO PARTICIPATE IN THE FIRST GOVERNING COUNCIL SESSION.

A MATTER OF POSSIBLE CONCERN IS AGENDA ITEM 14(A) OF FIRST GOVERNING COUNCIL SESSION, PERMANENT SEAT OF IFAD. IT READS QUOTE, THIS ITEM IS INCLUDED TO INFORM THE GOVERNING COUNCIL OF THE STATES THAT HAVE INVITED IFAD TO ESTABLISH ITS PERMANENT SEAT AND TO ENABLE THE COUNCIL TO DISCUSS ANY RELATED MATTERS IT MAY WISH TO CONSIDER UNQUOTE. LIMITED OFFICIAL USE

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PAGE 09 STATE 171713

IRANIAN REP (MANSURI) INFORMED MEMBER OF USDEL THAT BY AGREEING NOT TO PRESS PERMANENT SEAT ISSUE IRAN HAD MEANT IT WOULD NOT WITHHOLD ITS RATIFICATION OVER THIS ISSUE. IN PLENARY MANSURI ANNOUNCED THAT IRANIAN GOVERNMENT IS TAKING NECESSARY ACTIONS AND WOULD RATIFY VERY SOON. HOWEVER WHAT IS STILL UNCLEAR IS EXACTLY HOW THE ISSUE OF PERMANENT HEADQUARTERS WILL BE DEAL WITH AT THE FIRST SESSION OF THE GOVERNING COUNCIL, AND IF U.S. POSITION IN FAVOR OF DEFERRING ANY ACTION ON THIS ISSUE WILL PREVAIL.

11. COMMENTS ON FOURTH PREP COM

FOURTH PREP COM RESULTED IN CONSIDERABLE DEGREE OF SUCCESS FOR THE U.S. IN CLARIFYING SOME KEY ISSUES CONCERNING IFAD'S FUTURE OPERATIONS AND ORGANIZATION.

FIRST, PREP COM ESTABLISHED WITH REGARD TO THE COOPERATING AGENCY AGREEMENTS THAT IFAD WILL NOT NECESSARILY PARTICIPATE IN ALL PHASES OF PROJECT CYCLE, BUT WILL RELY INSTEAD UPON INTERNATIONAL INSTITUTIONS FOR PROJECT IDENTIFICATION, PREPARATION, APPRAISAL ADMINISTRATION, ETC. WITH SELECTIVE PARTICIPATION BY IFAD STAFF. THIS EMPHASIS ON FULL USE OF THE IFI'S IS ESSENTIAL FOR HOLDING DOWN THE SIZE AND COST OF IFAD'S OPERATIONS CONSISTENT WITH THE CONCEPT OF IFAD SINCE ITS BEGINNING.

SECOND, ORIGINAL SECRETARIAT PAPERS ON ADMINISTRATIVE BUDGET AND PERSONNEL POLICIES, I.E. SALARY SCALES AND BENEFITS, HAD LAID THE GROUNDWORK FOR THE POSSIBILITY OF RAPIDLY EXPANDING ORGANIZATION AND HIGH COST SALARY SCALES. HOWEVER, U.S. SUCCEEDED IN PLACING A CAP ON NUMBER OF PROFESSIONALS THROUGH CY 1979 WITH BURDEN OF PROOF FOR ADDITIONAL STAFF RESTING ON PRESIDENT'S JUSTIFICATIONS TO EXECUTIVE DIRECTORS. IN ADDITION IFAD'S SALARY SCALES WILL BE IDENTICAL TO UN SALARIES RATHER THAN AT THE WORLD LIMITED OFFICIAL USE

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PAGE 10 STATE 171713

BANK LEVELS.

WE DID NOT ACHIEVE GREATER SUCCESS, FOR EXAMPLE IN REDUCING PROPORTIONS OF IFAD OFFICIALS AT HIGH EXECUTIVE SALARY LEVELS FOR THE FOLLOWING REASONS: (A) SECRETARIAT'S LACK OF OBJECTIVITY WAS MANIFEST IN PREPARATION OF ADMINISTRATIVE BUDGET, PERSONNEL POLICIES, PRINCIPLES FOR COOPERATING AGENCY AGREEMENTS. THE SECRETARIAT HAD ALSO CONVINCED CHAIRMAN AL-SUDEARY (PRESUMABLY THE FIRST PRESIDENT) THAT THEIR POSITIONS WERE ESSENTIAL IF IFAD IS TO OPERATE AS A FIRST CLASS INSTITUTION. THIS WAS REFLECTED IN SUDEARY'S TENACIOUS DEFENSE OF PROPOSED ADMINISTRATIVE BUDGET AND STAFFING STRUCTURE. THE IFAD EXPERIENCE DEMONSTRATES IMPORTANCE OF HAVING OFFICIALS SYMPATHETIC TO U.S. VIEWS AS MEMBERS OF SUCH SECRETARIATS IN THE FUTURE. (B) CATEGORY I - OECD COUNTRIES PERFORMANCE IN PLENARY LACKED SUSTAINED EFFORT. ALTHOUGH THERE WAS EXCELLENT COORDINATION AND CONSENSUS ON KEY ISSUES IN CATEGORY I CAUCUS, ONCE IN THE PLENARY AFTER GOOD INITIAL CATEGORY I STATEMENTS, THERE WAS NO FOLLOW-THROUGH, AND U.S. WAS OFTEN LEFT TO CARRY THE ARGUMENT. FOR EXAMPLE, ON THE ADMINISTRATIVE BUDGET AND PERSONNEL POLICIES, ONLY U.K., JAPAN AND THE NETHERLANDS VENTURED SECOND INTERVENTIONS. (C) RE CATEGORY II OPEC COUNTRIES, SHIHATA, DIRECTOR OF OPEC SPECIAL FUND, PROVIDED THE LEADERSHIP AS B5B5 USUAL BUT HE WAS ABSOLUTELY OF NO HELP TO OUR VIEWS. SHIHATA SAID IN EFFECT WE SHOULD NOT QUESTION THE PROPOSED ORGANIZATIONAL STRUCTURE, STAFF LEVELS AND GRADES BUT RATHER PROVIDE PRESIDENT WITH MAXI-

MUM FLEXIBILITY ON THE BASIS THAT HE WILL BY DEFINITION DO A GOOD JOB AT THE LEAST COST. SHIHATA ALSO ARGUED THAT IT MADE GOOD SENSE TO "EXEMPT" IFAD FROM UN COMMON SYSTEM. (D) CATEGORY III COUNTRIES' POSITIONS WERE LARGELY DOMINANT LIMITED OFFICIAL USE

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PAGE 11 STATE 171713

TED BY INDIA AND BANGLADESH DELEGATIONS WHO ARGUED FOR GREATER AUTONOMY FOR IFAD, LARGER STAFF AND RELIEF FROM THE STRICTURES OF UN COMMON PERSONNEL SYSTEM.

13. ACTION

AT CONVENIENT OPPORTUNITY, EMBASSY OFFICIALS SHOULD INDICATE TO HOST COUNTRY OFFICIALS CONCERNED WITH IFAD THE FOLLOWING POINTS:

A. WE BELIEVE THAT MOST ISSUES AT THE 4TH PREP COM

WERE DECIDED IN A MANNER CONSISTENT WITH CATEGORY I COUNTRIES' CONCEPTION OF IFAD. IT SHOULD BE AN EFFICIENT AND EFFECTIVE INSTITUTION FOR IMPROVING FOOD PRODUCTION AND NBR NUTRITION IN POOR COUNTRIES BY FULLY UTILIZING THE SERVICES OF OTHER INTERNATIONAL INSTITUTIONS SO AS TO REDUCE IFAD'S OPERATING COSTS AND AVOID BUILDING A LARGE BUREAUCRACY.

B. AT THE END OF THE FOURTH PREP COM MEETING THE SECRETARIAT WAS LEFT WITH RESPONSIBILITY TO CONFORM MANY OF THE KEY DOCUMENTS, E.G. PERSONNEL POLICIES MANUAL, ADMINISTRATIVE BUDGET AND STAFFING TABLES, OPERATIONAL GUIDELINES, FINANCIAL REGULATIONS WITH THE CONSENSUS REACHED AT THE MEETING. IT IS VITALLY IMPORTANT THAT WE PRESS THE SECRETARIAT TO PRODUCE AND DISTRIBUTE THESE DOCUMENTS AS SOON AS POSSIBLE SO THAT WE ALL CAN CAREFULLY EXAMINE THEM WELL IN ADVANCE OF THE FIRST GOVERNING COUNCIL AND ASCERTAIN THAT THEY ARE CONSISTENT WITH IFAD'S OBJECTIVES AS STATED IN ARTICLES OF AGREEMENT AND THE POSITIONS SATISFACTORILY NEGOTIATED AT PREP COM MEETINGS. VANCE

UNQUOTE CHRISTOPHER.

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PAGE 12 STATE 171713

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